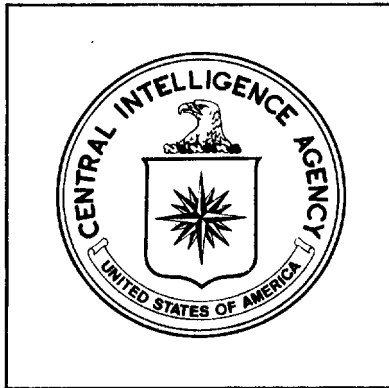


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International Narcotics Developments

DHS Review
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PS SNIN 77-019
14 September 1977

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INTERNATIONAL NARCOTICS DEVELOPMENTS

14 September 1977

CONTENTS



NEPAL: King's Advisers Favor Opium Poppy
Cultivation Program. 4

INDONESIA: Possible New Link in Illicit
Narcotics Chain. 6

LEBANON: Press Report Appears
Exaggerated. 7


TURKEY: Status Report on Opium Poppy Harvest 8

NOTEWORTHY POLITICAL AND ECONOMIC DEVELOPMENTS

1. Turkey. 10

BRIEFS 13

INTERESTING READING. 18

This publication is prepared by analysts in the Directorate of Intelligence for specialists in the Washington community who are interested in international narcotics matters. Comments and queries are welcome. They should be directed to the authors of the individual articles or to 

PS SNIN 77-019
14 September 1977

SECRET

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NEPAL: King's Advisers Favor Opium
Poppy Cultivation Program

Nepal's King Birendra has confirmed that his government is considering cultivating opium poppies--ostensibly to meet legitimate medical needs and for export. The King recently indicated that no final decision had been made on this subject, but there appears to be strong support for such a program from among his family and top advisers.

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Should Nepal develop a significant official poppy-growing program, it could easily become a cover for illicit production and export. The nation's narcotics laws are poorly enforced, due to the general apathy of most government officials

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Stricter narcotics legislation passed last year has done little to curb the illicit trafficking in hashish--long a major cash crop in some parts of the country. Rather, the King is of the opinion the legislation has contributed to an increase in corruption among officials. He admits effective enforcement of existing controls requires better trained officials and a general improvement in administration--a highly unlikely development.

Given the kingdom's inability to prevent the illegal cultivation and export of hashish, a government decision to encourage opium poppy cultivation could have serious effects. Not only could drug abuse pose a future domestic problem for Nepal, but opium production most certainly would encourage corruption at all levels of government and further complicate attempts to control the international narcotics trade.

PS SNIN 77-019
14 September 1977

SECRET

SECRET

There is as yet no concrete indication of how King Birendra will act on this issue. In anticipation of a procultivation decision, however, the state-owned Nepal Drug Company is developing a capability to produce limited quantities of opium-derived drugs, and both the USSR and Yugoslavia have expressed an interest in buying Nepalese opium products.

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PS SNIN 77-019
14 September 1977

SECRET

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INDONESIA: Possible New Link in Illicit Narcotics Chain

Narcotics activity in Indonesia may increase soon as the result of aggressive campaigns to suppress drugs in Burma, Thailand, and Malaysia which are giving impetus to narcotics traffickers to move elsewhere. Some traffickers in Thailand are reportedly already moving to Indonesia because they believe it will be an excellent transit country for opiates and cocaine.

In several respects, Indonesia may appear to be a potentially lucrative and relatively safe base for drug traffickers. Domestic disenchantment over low salaries and endemic corruption could encourage the cooperation of government officials. Indonesia also has favorable topography and climate in isolated areas where the growth of opium poppies is possible. This opium could then be converted into heroin in clandestine laboratories which would be easy to establish and hard to detect in Indonesia's 3,000 inhabited islands spanning 3,500 miles.

Unless the Suharto regime's drug control program is significantly expanded, Indonesia may become a new link in the trafficking chain for the movement of narcotics into international markets. Jakarta's commitment to international narcotics control is apparently sincere, but its effectiveness is hampered by lack of experience in narcotics enforcement, lack of manpower, lack of funds, and a limited intelligence capability on narcotics.

The Indonesians have recently agreed to the assignment of a second DEA agent to Jakarta. Much more will have to be done, however, including the creation of a qualified enforcement unit and effective methods of communication, reporting, retention of information

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PS SNIN 77-019
14 September 1977

SECRET

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LEBANON: Press Report Appears Exaggerated

A London *Times* article alleging that Lebanese traffickers are preparing to export 100,000 tons of hashish has drawn a sharp reply from the Lebanese Government. While admitting that hashish production had increased because of the recent civil war, Interior Minister Salah Salman called the article highly exaggerated and added that his government is stepping up its enforcement efforts.

The *Times*' estimate is certainly vastly exaggerated. Most observers estimate that the exportable hashish crop in recent years has averaged about 200 tons a year, varying 50 tons in either direction depending on growing conditions and enforcement efforts. While there is substantial evidence that the breakdown in law enforcement resulting from the civil war allowed for an expansion in hashish planting, it is extremely unlikely that the exportable crop has risen to anything like the amount suggested by the *Times*. Internal consumption of hashish, while growing, is insignificant.

The *Times* report also claimed that "thirty fields" of opium poppies are being harvested in the Baalbak area and estimated that the opium crop would produce several hundred tons of heroin.

We have been receiving reports for some time that several Lebanese hashish producers were switching to opium poppy cultivation, but we have only fragmentary information on the extent of the plantings

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PS SNIN 77-019
14 September 1977

SECRET

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TURKEY: Status Report on Opium Poppy Harvest

Turkey's opium poppy harvest will far exceed last year's 14,000-ton crop, but for a variety of technical reasons the yield will be somewhat less than previously estimated. The bumper crop has created storage, handling, and marketing problems, and there are indications that the government may be looking for ways to limit future crops.

A final accounting of the 1977 poppy straw harvest may yet go as high as 50,000 tons. This would be significantly less than earlier predictions of 60,000 tons. At least three factors are responsible for the smaller crop than expected. In some areas hot, dry weather late in the growing season resulted in smaller poppy capsules. In other areas poppy fields have been hit by fungus or excessive moisture. And, as the crop has come in, it has become evident that to ensure compliance with strict acreage restrictions, farmers planted less land than their licenses allowed.

The crop is still proving to be relatively large, however, and the government has been caught somewhat ill-prepared. A shortage of covered storage facilities, for example, has necessitated the unsatisfactory alternative of open stockpiling. This has already resulted in some mold damage, which left unchecked can reduce the morphine content of the poppy straw.

The handling and storage problems are made more acute by the existence of unsold stocks from the 1976 harvest and the prospect of sluggish world demand for at least the near future. Turkish officials have been counting on the alkaloid processing plant now under construction in Bolvadin in southwestern Turkey to ease storage problems by reducing the bulky poppy capsules to more manageable straw concentrate or morphine, but indications are now that the facility will not be ready until sometime in 1979--roughly a year later than originally projected.

PS SNIN 77-019
14 September 1977

SECRET

SECRET

Awareness of these problems has prompted Soil Products Office officials to search for politically acceptable ways of reducing future harvests. Meetings have reportedly been held with farmers to persuade them to rotate poppies with other crops, planting the former only every three or four years. There are no reports on the success of these efforts but, if the overall effectiveness to date of the government's control program is any measure, some decrease in the planted area can probably be expected from this approach.

More effective in the long run would be the manipulation of the government regulated price for poppy straw, and there is some evidence that Ankara may already be experimenting with this alternative. Since the reinstitution of legal poppy cultivation in 1974, the government has guaranteed to buy all the farmers could legally produce. Favorable prices have been maintained, at least in part, to encourage compliance with the law. This summer the government decided not to increase the price over last year's. This has made the farmers unhappy; but Ankara may be hoping that holding the line on price will result in some voluntary cutback in production without tempting the farmers to resort to illicit methods to get more money.

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PS SNIN 77-019
14 September 1977

SECRET

SECRET

NOTEWORTHY POLITICAL AND ECONOMIC DEVELOPMENTS

(Editor's Note: This item, produced for another CIA publication, does not deal specifically with the international narcotics situation. It is included here, however, because it concerns developing political situations that could impact on the international narcotics control effort.)



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TURKEY: Economic Package

Ankara last week announced a set of economic stabilization measures ambitiously intended to improve the balance of payments, promote investment, balance the budget, and fight inflation. Substantial price increases on many items, apparently including most petroleum products, were part of the package. While the move is a step in the right direction, without a currency devaluation the Demirel government will be hard pressed to gain an IMF loan and restore the confidence of international lenders. Meanwhile, the country still faces a critical foreign exchange shortage which will be little affected by the recently announced measures.

While all the details of the new economic package are still not known, its largest impact apparently will come through increases in prices of goods and services produced by state-owned economic enterprises. Regular gasoline, previously subsidized, went up 96 percent. Fuel oil rose 62 percent. Paper, cement, iron and steel products, and electricity jumped 25 to 70 percent. Telephone and postal service rates more than doubled. These long overdue rate hikes will cut the losses of state companies, estimated before the price hikes at \$2.5 billion for 1977. Nevertheless, the program will not balance the national budget as Ankara claims. Gasoline and fuel oil price hikes should discourage oil imports and help the balance of payments, but they will not reduce the current account gap much below \$2.5 billion this year. The new prices will increase already high inflation rates,

PS SNIN 77-019
14 September 1977

SECRET

SECRET

currently about 25 percent; announced anti-inflation measures--raising banks' reserve requirements 5 percent and putting a one-year limit on consumer credit--will not stem the tide. Higher interest rates on savings deposits will have mixed effects. The raft of balance-of-payments measures (minor concessions to exporters, disincentives for automobile imports, a five-year exchange rate guarantee on worker remittances, a renewed promise to sell off wheat stocks, and a surcharge on import guarantees) should have a small positive effect.

The absence of steps considered important by banking circles and the IMF (such as a substantial currency devaluation and a credible commitment to end recurrent budget deficits) appears to be a direct result of policy differences among members of the coalition government. Though by no means enthusiastic about the inevitable braking effect such measures would have on the economy, Prime Minister Demirel is thought to be cognizant of their importance. But while he may have argued privately for their adoption, in the interest of preserving his coalition he has apparently bowed to the views of Deputy Prime Minister Erbakan.

The latter, who sought and received control of most of the important economic policy posts as his price for joining Demirel's cabinet, is insistent on rapid economic growth and industrialization and reluctant to adopt any policies that would threaten the high growth rates (7-8 percent annually) that have become Turkey's norm. He apparently believes that the policies announced last week will slow the economic slide enough to allow the basic strengths of the Turkish economy to turn the situation around. Erbakan also opposes stronger devaluation measures on the grounds that adoption of IMF-suggested measures would constitute an infringement of Turkish sovereignty. In fact, a currency devaluation reportedly was part of the original economic package, but had to be removed to get the package approved by the Cabinet.

Even the limited measures announced last week will pose some public relations problems for Demirel. There is no indication, however, that there will be any serious political opposition. Most leading Turks in fact can be expected to applaud almost any measure designed to remedy the country's economic ills.

PS SNIN 77-019
14 September 1977

SECRET

SECRET

The alternatives to a stabilization program that will satisfy the IMF and open the way to new borrowing are unpleasant. Shortages of raw materials for such industries as chemicals, construction, and food processing are already evident. Without a new infusion of foreign exchange, production will be severely curtailed. The bulk of imports consists of raw materials and machinery needed by Turkish industry. Declines in imports and domestic production would increase unemployment, currently 13 percent.

International bankers have made it clear that any new loans are contingent upon an agreement between Ankara and the IMF. Loans from the IMF itself will buy Ankara only a little time, since they could not exceed about \$500 million. Ankara currently owes an estimated \$700 million to \$800 million for imports and \$300 million in overdrafts on foreign banks. Furthermore, foreign exchange deposits totaling \$385 million will come due for redemption or renewal by the end of the year; Ankara has been having trouble meeting demands for redemption of such deposits for several months.

Turkish officials have referred repeatedly in recent weeks to a US "economic embargo," implying the United States was somehow responsible for the refusal of US banks to extend new loans and for their withdrawal of some foreign exchange deposits from Turkey. In the face of strong official US denials, Turkish proponents of this theory have generally retreated somewhat, but the shadow of the charges remains, complicating relations with the US on other outstanding issues. It is unclear to what extent these charges result from a search for scapegoats, a real lack of understanding of international finance, or some other cause. Ankara undoubtedly still expects help from the US and other Western countries. Demirel will be extremely reluctant to take further austerity moves as long as he thinks there is even the slightest chance that money is likely to become available from abroad.

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PS SNIN 77-019
14 September 1977

SECRET

SECRET

BRIEFS

SWEDEN: Swedish police arrested three ethnic Chinese believed to be leaders of a Singapore based Chinese "tong" who since 1970 have taken up residence in the western port city of Goteborg, apparently with the purpose of establishing a major European transit point for heroin. Goteborg follows Amsterdam and Copenhagen in uncovering ethnic Chinese traffickers responsible for the recent (since 1975) inundation of Europe with Southeast Asian heroin. In response to increasing European seizures these well-organized traffickers have changed routes, methods, couriers and operational headquarters. A remarkable flexibility has indeed been a trademark during the few years of their European operations. [REDACTED]

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ITALY: Rome police recently broke up an international narcotics trafficking ring which they believe may have been a branch of a much larger organization operating in Western Europe. The police seized three kilograms of "pure" heroin worth an estimated \$110,000 and arrested seven persons, including four Turks and two Greeks. The traffickers reportedly obtained the heroin in Turkey and hid it in secret compartments built into luxury automobiles. They then drove the cars to Italy via Yugoslavia and Austria. Although the heroin was apparently picked up in Turkey, there has been no allegation that it was of Turkish origin. The Turks have been given high marks for their ability to control opium poppy cultivation. They have been less successful, however, in their interdiction effort. [REDACTED]

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GREECE: Greek authorities recently seized nearly three tons of hashish aboard a small Greek ship sailing in Greek waters. The market value of the refined hashish was estimated to be about \$30 million. The 414-ton vessel reportedly was on its way from an unnamed port in Lebanon to the Netherlands. Greek officials believe an international narcotics smuggling ring was behind the shipment, which they claim apparently was linked to another attempted shipment of three tons of hashish in June which was also destined for the Netherlands. [REDACTED]

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PS SNIN 77-019
14 September 1977

SECRET

SECRET

LEBANON: The Lebanese Government is preparing to launch a campaign to combat rising drug addiction in that country, according to the Minister of Labor and Social Affairs. He noted that there has been a dramatic increase in the number of addicts, especially among youth, as a result of the protracted civil war. The problem apparently is widespread throughout the country. There have been several reports of opium poppies being grown in the relatively inaccessible areas of northern Lebanon which traditionally have been the source of hashish. [REDACTED]

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PORTUGAL: Portuguese judiciary police, in late July, made the largest drug seizure in their history, according to a Defense Intelligence report from Lisbon. Seventy-eight kilograms of refined hashish reportedly were seized from a ship in a northern Portuguese port. The refined drugs apparently had been hidden in a car which had been taken aboard in Casablanca. Three Spaniards carrying forged British papers were planning to smuggle the hashish into Spain from Portugal. Portuguese police believe that the bulk of the drugs entering Portugal, both in transit and for domestic sale, arrive by sea hidden in cars or suitcases. [REDACTED]

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[REDACTED]

BOLIVIA: The American Embassy in La Paz has asked the US Department of Agriculture to determine if coca eradication in Bolivia would be scientifically possible, ecologically safe, and economically practical. It has been proposed that a team of USDA scientists

PS SNIN 77-019
14 September 1977

SECRET

SECRET

with expertise in herbicide technology make an on-site assessment of current coca production in Bolivia. The US Embassy points out, however, that such a study would only be theoretical at this time and not necessarily the immediate precursor of an eradication project. The coca-growing situation in Bolivia is not analogous to Mexico's opium cultivation areas where an eradication campaign is currently under way. A host of political and economic factors in Bolivia may preclude pursuing an eradication program. A number of Bolivian officials, however, continue to express an interest in working out some bilateral drug control measures with the US.

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BAHAMAS: A drug smuggling operation involving a helicopter and several ships equipped with helicopter landing facilities has been uncovered operating in waters off the Bahamas. According to US Customs representatives, the helicopter, which was land based but carried on one of the ships, rendezvoused with the ships at sea, apparently for the purpose of smuggling narcotics and/or drugs. The helicopter was observed making several landings, and its mysterious movements led to suspicions that they were drug-related. Further investigation uncovered evidence that the helicopter was indeed involved in transporting illicit drugs either from ship to shore or ship to ship. A log of the helicopters movements was discovered during the investigation which is still continuing with the cooperation of the Bahamian authorities.

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EGYPT: The Deputy Minister of Interior, in a well-publicized meeting with Egyptian officials, has stressed the importance of the government's program to suppress narcotics trafficking. He emphasized that the government intends to strengthen the Anti-Narcotics Administration (ANA) at both the national and regional levels. He also called for the use of the most up-to-date "technological methods" and emphasized the importance of international cooperation. The Embassy views this latter comment as a reference to the recent draft agreement with Turkey on the narcotics smuggling issue. The Embassy also regards the Egyptian meeting, the first of its kind in recent years on narcotics, as further evidence

PS SNIN 77-019
14 September 1977

SECRET

SECRET

of the Egyptian Government's growing commitment to the narcotics control program. [REDACTED]

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TURKEY: Turkish farmers are unhappy over the government's failure to increase the authorized price paid by the government for the opium poppy straw crop. They note that the government granted a 100-percent increase to monopoly producers and claim that their own labor costs have risen about 40 percent during the past year. Last month, the Turkish Cabinet decided to hold the price of opium poppy capsules at last year's level, largely because of the bumper crop. The government's decision to hold the line on poppy prices was also probably influenced, in part, by other worries concerning the economy, especially over continuing inflation. [REDACTED]

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BURMA: Burmese narcotics police, during a major operation called "Victorious Thunder" in late August near the Thai border, seized over half a ton--675 kilograms--of opiates, including both refined and raw opium. The Burmese officials were described

PS SNIN 77-019
14 September 1977

SECRET

SECRET

as "exultant" over their "monumental seizure." The operation was developed largely from intelligence furnished by DEA. The illicit narcotics were hidden in the cellars and walls of two houses on the Burma side of the Thai-Burmese border--one of the smugglers actually escaped by crossing a creek into Thailand. [redacted]

[redacted] the illicit opium refinery operation had been financed by moneyed Chinese in Thailand. [redacted]

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PS SNIN 77-019
14 September 1977

SECRET

SECRET

INTERESTING READING

Heroin Leaks Through Berlin Wall (WEST GERMANY)--Sunday Times, London, 28 August 1977. Illicit drugs reportedly enter Berlin through the Communist-controlled East Berlin airfield at Schoenfeld and then through the Wall via transit bus, the inter-city subway, or by train. There apparently are no checks on the West Berlin side of the Wall in accordance with the "open frontier" philosophy. Drug-associated deaths reportedly have doubled in West Berlin this year.

Drug "War" Feared in Western Europe (WEST GERMANY)--Manchester Guardian, 20 August 1977. Turkish traffickers are alleged to be ready to contest ethnic Chinese domination of the illicit drug market in Western Europe. There is speculation that the Chinese may even offer narcotics at "dumping" prices in an attempt to win back their share of the illicit market.

Narcotics Death Figures Double, Drug Source Well Known (AUSTRALIA)--TNDD, No. 318, 8 September 1977, pp. 3-6. "The death rate from narcotics has more than doubled in New South Wales in a year, along with the growth in the traffic in hard drugs--especially heroin."*

Achievements in Drug Seizures Noted (BULGARIA)--TNDD, No. 318, pp. 34-38. "Since the beginning of 1969, Bulgarian customs officials have prevented the passage of more than 21,000 kilograms of (contraband drugs--mostly hashish) through the territory of Bulgaria."

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PS SNIN 77-019
14 September 1977

SECRET

SECRET

Drugs in the IDF Seen as Serious Threat (ISRAEL)--TNDD, No. 318, pp. 72-75. "The decision made by the IDF following the Yom Kippur War to allow drafting of ex-offenders turned out to be a mistake The offenders assigned to various military units spread an atmosphere of violence and disobedience."

The Nightmare That Came True (AUSTRALIA)--TNDD 317, 31 August 1977, pp. 19-21. "He was 19, his name was Tim, and they took him back home to Nowra for his funeral this week Tim was a 'multiple drug user' and is thought . . . to have died from codeine phosphate and tuinal."

Drug Abuse Reports in the Czech Press (CZECHOSLOVAKIA)--TNDD 317, pp. 62-65. "A new law on protection of society against alcoholism and other kinds of addiction is being prepared for publication."

Officials Quizzed on Increasing Drug Problem (COLOMBIA)--TNDD 317, pp. 79-84. "The drug traffic is increasing in Colombia. The country continues to be the center of operations of the international mafia. According to authorities, traffic in this type of contraband, high quality cocaine and marijuana, runs around \$500 million annually."

Researcher Discovers "Coca Without Cocaine" (PERU)--TNDD 317, pp. 123-126. "Nosing around on the Amazon plain, Edgardo Machado Cazorla has found a wild species of coca that has no cocaine."

PS SNIN 77-019
14 September 1977

SECRET

Secret

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